

**VILLAGE OF GALIEN
BERRIEN COUNTY, MICHIGAN**

11-3040

FINANCIAL STATEMENTS

For the year ended February 29, 2004

(See Accountants' Compilation Report)



THE JACKSON GROUP

CPA & Business Advisory Services

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Village of Galien	County Berrien
Audit Date 2/29/04	Opinion Date 4/2/05	Date Accountant Report Submitted to State: 4/13/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

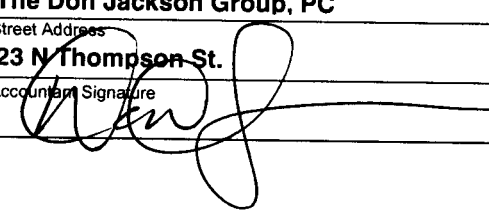
Certified Public Accountant (Firm Name) The Don Jackson Group, PC			
Street Address 23 N Thompson St.		City New Buffalo	State MI
Accountant Signature 		ZIP 49117	Date 4/13/05

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VILLAGE OF GALIEN
BERRIEN COUNTY, MICHIGAN

February 28, 2004

VILLAGE COUNCIL AND OFFICIALS

Clarence A. Marsh, Jr.	President
Rex Hinman	Council Member
Juanita Swank	Council Member
Mary Leazenby	Council Member
Ed Shaffer	Council Member
Robert White	Council Member
Mitchell Turner	Council Member
Nancy Shaffer	Clerk
Betty Hoag	Treasurer



INDEPENDENT AUDITORS' REPORT

Honorable Members of the Village Council
Village of Galien
Berrien County, Michigan

We have audited the accompanying general purpose financial statements of the Village of Galien as of February 29, 2004, and for the year then ended as listed in the foregoing table of contents. These general purpose financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The general purpose financial statements referred to above do not include the General Fixed Assets Accounts Group, which should be included to conform with generally accepted accounting principles. The amount that should be recorded in the General Fixed Assets Account Group is not known. In addition the Village has not adopted the GASB 34 reporting model required to conform with generally accepted accounting principles.

In our opinion, except for the affects on the general purpose financial statements of the omissions described in the preceding paragraph, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Village of Galien as of February 29, 2004, and the results of its operations and the cash flows of it's proprietary and similar trust fund types for the year then ended in conformity with generally accepted accounting principles.

The Don Jackson Group, P.C.

The Don Jackson Group, PC

April 2, 2005

VILLAGE OF GALIEN

COMBINED BALANCE SHEET – ALL FUND TYPES

as of February 29, 2004
with comparative figures for the year ended February 28, 2003

	Governmental Fund Types		Fiduciary Fund Type	Proprietary Fund Type	Totals (Memorandum Only)	
	General	Special Revenues	Tax Fund	Enterprise Sewer Fund	February 29, 2004	February 28, 2003
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 114,258	\$ 244,563	\$ 1,242	\$ 21,475	\$ 381,538	\$ 365,640
Investments	10,782	150,000	-	25,000	185,782	185,782
Accounts receivable, less allowance for doubtful amounts of \$5,000	-	-	-	36,747	36,747	27,121
Accrued interest receivable	-	-	-	490	490	933
Notes receivable - current portion	-	11,491	-	-	11,491	12,898
Property taxes receivable	9,663	-	-	-	9,663	16,696
Due from other funds	6,865	2,503	-	-	9,368	12,117
Due from other governments	9,759	9,424	-	-	19,183	20,997
Inventory, at cost	500	-	-	-	500	500
Total current assets	151,827	417,981	1,242	83,712	654,762	642,684
Noncurrent assets:						
Notes receivable, net of current portion	-	21,697	-	-	21,697	48,644
Restricted assets:						
Cash and cash equivalents	-	-	-	115,449	115,449	51,928
Investments	-	-	-	181,618	181,618	244,618
Total restricted assets	-	-	-	297,067	297,067	296,546
Fixed assets, at cost:						
Land	-	-	-	20,000	20,000	20,000
Utility plant	-	-	-	1,233,253	1,233,253	1,233,254
Equipment	-	-	-	144,613	144,613	144,613
Less, accumulated depreciation	-	-	-	(900,058)	(900,058)	(869,147)
Total fixed assets	-	-	-	497,808	497,808	528,720
Total assets	\$ 151,827	\$ 439,678	\$ 1,242	\$ 878,587	\$ 1,471,334	\$ 1,516,594

The accompanying notes are part of the general purpose financial statements.

	Governmental Fund Types		Fiduciary Fund Type	Proprietary Fund Type	Totals (Memorandum Only)	
	General	Special Revenues	Tax Fund	Enterprise Sewer Fund	February 29, 2004	February 28, 2003
LIABILITIES						
Current liabilities:						
Accounts payable	\$ 2,913	\$ -	\$ -	\$ -	\$ 2,913	\$ 2,327
Due to other funds	2,502	2,849	1,242	2,775	9,368	12,117
Payroll taxes payable	3,219	-	-	-	3,219	2,839
Total current assets	8,634	2,849	1,242	2,775	15,500	17,283

FUND EQUITY

Contributed capital	-	-	-	816,080	816,080	816,080
Retained earnings:						
Reserved for improvements						
replacements	-	-	-	297,067	297,067	296,546
Unreserved	-	-	-	(237,335)	(237,335)	(218,904)
Fund balances:						
Unreserved	143,193	436,829	-	-	580,022	605,589
Total fund equity	143,193	436,829	-	875,812	1,455,834	1,499,311
Total liabilities and fund equity	\$ 151,827	\$ 439,678	\$ 1,242	\$ 878,587	\$ 1,471,334	\$ 1,516,594

VILLAGE OF GALIEN

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES

For the year ended February 29, 2004
With comparative combined figures for the year ended February 28, 2003

	General	Special Revenues	Totals (Memorandum Only)	
			February 29, 2004	February 28, 2003
Revenues:				
Property taxes	\$ 77,040	\$ -	\$ 77,040	\$ 72,763
State shared revenues	57,961	50,949	108,910	113,108
Equipment rental	6,488	-	6,488	3,414
Other rental	12,769	-	12,769	10,213
Permits	1,965	-	1,965	2,491
Interest	768	10,234	11,002	15,651
Sale of assets	15,650	-	15,650	7,900
Miscellaneous	3,142	7,392	10,534	12,404
Total revenues	175,783	68,575	244,358	237,944
Expenditures:				
General government	29,483	-	29,483	26,855
Elections	30	-	30	479
Clerk	7,439	-	7,439	6,832
Treasurer	7,086	-	7,086	6,719
Building and grounds	7,155	-	7,155	6,476
Building inspector	1,616	-	1,616	2,065
Public works	113,151	-	113,151	52,246
Streets	-	79,363	79,363	68,512
Parks and recreation	-	-	-	4,971
Public safety	-	15,423	15,423	11,367
Economic development	-	9,179	9,179	890
Capital outlay	-	-	-	15,134
Total expenditures	165,960	103,965	269,925	202,546
Excess (deficiency) of revenues over expenditures	9,823	(35,390)	(25,567)	35,398
Other financing sources (uses):				
Operating transfers-in	-	33,083	33,083	34,727
Operating transfers-out	(33,083)	-	(33,083)	(34,727)
Total other financing sources (uses)	(33,083)	33,083	-	-
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(23,260)	(2,307)	(25,567)	35,398
Fund balances, beginning of year	166,453	439,136	605,589	570,191
Fund balances, end of year	\$ 143,193	\$ 436,829	\$ 580,022	\$ 605,589

The accompanying notes are part of the general purpose financial statements.

VILLAGE OF GALIEN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND

For the year ended February 29, 2004

	Budget	Actual	Over (Under) Budget
Revenues:			
Property taxes	\$ 72,720	\$ 77,040	\$ 4,320
State shared revenues	65,000	57,961	(7,039)
Equipment rental	1,500	6,488	4,988
Other rental	10,200	12,769	2,569
Permits	1,500	1,965	465
Interest	1,500	768	(732)
Sale of assets	-	15,650	15,650
Miscellaneous	1,000	3,142	2,142
Total revenues	153,420	175,783	22,363
Expenditures:			
General government	29,500	29,483	(17)
Elections	750	30	(720)
Clerk	7,165	7,439	274
Treasurer	11,215	7,086	(4,129)
Building and grounds	11,210	7,155	(4,055)
Building inspector	1,375	1,616	241
Public works	60,900	113,151	52,251
Capital outlay	-	-	-
Total expenditures	122,115	165,960	43,845
Excess (deficiency) of revenues over expenditures	31,305	9,823	(21,482)
Other financing sources (uses):			
Operating transfers-in	-	-	-
Operating transfers-out	(30,500)	(33,083)	(2,583)
Total other financing sources (uses)	(30,500)	(33,083)	(2,583)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	805	(23,260)	(24,065)
Fund balances, beginning of year	166,453	166,453	-
Fund balances, end of year	\$ 167,258	\$ 143,193	\$ (24,065)

The accompanying notes are a part of the general purpose financial statements.

VILLAGE OF GALIEN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL - SPECIAL REVENUE FUNDS

For the year ended February 29, 2004

	Budget	Special Revenues	Over (Under) Budget
Revenues:			
State shared revenues	\$ 44,000	\$ 50,949	\$ 6,949
Interest	10,232	10,234	2
Miscellaneous	3,795	7,392	3,597
Total revenues	58,027	68,575	10,548
Expenditures:			
Streets	80,860	79,363	(1,497)
Parks and recreation	4,363	5,637	1,274
Public safety	15,625	15,423	(202)
Economic development	1,750	3,542	1,792
Capital outlay	-	-	-
Total expenditures	102,598	103,965	1,367
Excess (deficiency) of revenues over expenditures	(44,571)	(35,390)	9,181
Other financing sources (uses):			
Operating transfers-in	30,950	33,083	2,133
Operating transfers-out	-	-	-
Total other financing sources (uses)	30,950	33,083	2,133
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(13,621)	(2,307)	11,314
Fund balances, beginning of year	439,136	439,136	-
Fund balances, end of year	\$ 425,515	\$ 436,829	\$ 11,314

The accompanying notes are a part of the general purpose financial statements.

VILLAGE OF GALIEN

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED
EARNINGS - BUDGET AND ACTUAL - PROPRIETARY FUND TYPE - SEWER FUND

For the year ended February 29, 2004

	Budget	Actual	Over (Under) Budget
Revenues:			
Sewer usage charges - operations	\$ 43,500	\$ 54,724	\$ 11,224
Sewer usage charges - replacement	9,000	4,028	(4,972)
Investment income	8,000	7,089	(911)
Equipment rental	4,200	13,747	9,547
Miscellaneous income	200	187	(13)
Total revenues	64,900	79,775	14,875
Expenses:			
Wages	31,500	30,826	(674)
Benefits	9,750	9,444	(306)
Payroll taxes	2,400	2,331	(69)
Supplies	200	-	(200)
Utilities	2,150	1,591	(559)
Gasoline	1,700	1,402	(298)
Repairs and maintenance	5,000	11,653	6,653
Professional fees	2,200	500	(1,700)
Insurance	3,700	2,952	(748)
Building rent	2,400	2,400	-
Depreciation	36,000	30,911	(5,089)
Equipment rent	500	1,909	1,409
Miscellaneous	500	1,766	1,266
Total expenses	98,000	97,685	(315)
Net income (loss)	(33,100)	(17,910)	15,190
Retained earnings, beginning of year	77,642	77,642	-
Retained earnings, end of year	\$ 44,542	\$ 59,732	\$ 15,190

The accompanying notes are a part of the general purpose financial statements.

VILLAGE OF GALIEN
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE – SEWER FUND
For the year ended February 29, 2004

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

Cash flows from operating activities:	
Net income (loss)	\$ (17,910)
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	30,911
Changes in assets and liabilities:	
Decrease (increase) in:	
Accounts receivable	(9,626)
Accrued interest receivable	443
Increase (decrease) in:	
Accounts payable	(222)
Due to other funds	545
Net cash provided by operating activities	<u>4,141</u>
Cash flows from investing activities:	
Purchase of fixed assets	-
Decrease (increase) in investments	<u>63,000</u>
Net cash provided by (used) in financing activities	<u>63,000</u>
Net increase (decrease) in cash and cash equivalents	67,141
Cash and cash equivalents, beginning of year	<u>69,783</u>
Cash and cash equivalents, end of year	<u><u>\$ 136,924</u></u>
Supplemental disclosure of cash flow information:	
Cash paid during the year for interest	<u><u>\$ -</u></u>

The accompanying notes are a part of the general purpose financial statements.

VILLAGE OF GALIEN
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

For the year ended February 29, 2004

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.

REPORTING ENTITY:

The Village of Galien is incorporated under the provisions of the General Law Village Act of 1985 PA 3, MCL 61.1 et seq., as amended. The Village operates under a Council-Administrator form of government and provides the following services; police, streets, sewer, recreation, public improvement, planning and zoning, and general administration services.

For financial statement purposes, the Village includes all funds and account groups that are controlled by or dependent on the Village, as determined on the basis of budget adoption, management oversight responsibility, taxing authority, or the Village's obligation to fund any deficits.

BASIS OF PRESENTATION – FUND ACCOUNTING:

The accounts of the Village are organized on the basis of funds or groups of accounts; each of which is considered to be a separate set of self-balancing accounts that comprise each fund's assets, liabilities, fund balances, revenues and expenditures. The following is a description of the funds and account groups included in the accompanying general purpose financial statements:

Governmental Fund Types

General Fund – The general fund accounts for all revenues and expenditures of the Village that are not accounted for in the other funds. Revenues are primarily derived from general property taxes, licenses and permits, investment income and revenues from the State of Michigan.

Special Revenue Funds – The Special Revenue Funds account for the revenues and expenditures related to particular functions or activities of the Village as required by statute or local ordinance and the revenues and expenditures related to state and federal grants.

Proprietary Fund Type

Enterprise Funds – The Enterprise Funds account for the operations and financing of those activities of the Village that are self-supporting on the basis of user charges to the general public. The Council applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

BASIS OF ACCOUNTING:

The modified accrual basis of accounting is followed for the General and Special Revenue funds. Under this method of accounting, revenues are recognized in the accounting period in which they become both measurable and available. Licenses and permits, rents and royalties, gifts and miscellaneous revenues are recorded when received in cash. General property taxes, interest, and state-shared revenues are recorded as revenues when earned (when they are both measurable and available). Expenditures are recognized in the accounting period in which the fund liability is incurred if measurable.

VILLAGE OF GALIEN

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, CONTINUED

For the year ended February 29, 2004

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED.

The accrual basis of accounting is followed for the Enterprise Fund. Under this method of accounting, revenues are recognized when earned, and expenses are recorded as liabilities when incurred.

INVENTORY:

Inventory is stated at cost, determined under the first-in, first-out method, which is not in excess of market. Inventories consist of gasoline products available for use.

BUDGET AND BUDGETARY ACCOUNTS:

The Village performs the following procedures in establishing the budgetary data reflected in the general purpose financial statements.

1. Prior to February 28, the Village Clerk submits to the Village Council a proposed operating budget for the fiscal year commencing March 1.
2. Public hearings are conducted at the Village Hall to obtain taxpayer comments.
3. The budget is formally adopted by resolution at the final Council meeting prior to the start of the new fiscal year.
4. Transfers or amendments to the budget may only be approved by the Village Council.
5. Formal budgetary integration is employed as a management control device during the year for all funds.
6. Budgets for all funds are adopted on a basis consistent with generally accepted accounting principles.

ASSET, LIABILITIES AND FUND EQUITY:

Cash and cash equivalents – The Village considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments- The Village's investments are insured certificates of deposit and U.S. Treasury securities that have a maturity of more than three months.

Fixed Assets and Long-Term Liabilities – The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. This means that only current assets (expendable financial resources) and current liabilities (those expected to be liquidated with expendable financial resources) are generally included on their balance sheets. Their reported fund balances are considered a measure of "available spendable resources." Governmental Fund operating statements present increases (revenues and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources during a period.

Fixed assets used in Governmental Fund - The Village of Galien has not maintained records of its general fixed assets and, accordingly, the General Fixed Assets Account Group is not included in the general purpose financial statements.

VILLAGE OF GALIEN

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, CONTINUED

For the year ended February 29, 2004

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONCLUDED.

All Proprietary Funds are accounted for on a cost of service or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Their reported fund equity is segregated into contributed capital and retained earnings fund balance components. Proprietary Fund Type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Depreciation of all exhaustible fixed assets used by Proprietary Funds is charged as an expense against their operations. Accumulated depreciation is reported on Proprietary Fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method.

The estimated useful lives are as follows:

Utility plant and lines	40 years
Equipment	5 - 10 years

REVENUES, EXPENDITURES AND EXPENSES:

Property Taxes – Property taxes are assessed on May 1 of each year and the tax bills are due September 15. The revenue from this property tax levy is recorded in the Village's general purpose financial statements in the fiscal year ended the following February.

TOTAL COLUMNS IN GENERAL PURPOSE FINANCIAL STATEMENTS:

The total columns in the general purpose financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with generally accepted accounting principals. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

USE OF ESTIMATES:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS.

P.A. 621 of 1978, Section 18(1) as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the general purpose financial statements, the Village's actual expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Village for these budgetary funds were adopted to the functional level.

During the year ended February 29, 2004, the Village did not incur expenditures in budgetary funds that were in excess of the amounts appropriated.

VILLAGE OF GALIEN

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, CONTINUED

For the year ended February 29, 2004

Note 3. CASH AND INVESTMENTS.

Deposits are carried at cost. Deposits of the Village are at a single bank located in Michigan in the name of the Village Treasurer. Public Act 196 of 1997 authorizes the Village to deposit and invest in the accounts of federally insured banks, insured credit unions, and savings and loan associations; bankers acceptance of United States banks; commercial paper rated within the three highest classifications by not less than two standard rating services, that mature not more than 270 days after the date of purchase, and which involves no more than 50% of any one fund; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. Michigan law prohibits security in the form of collateral, surety bonds or other forms for the deposit of public money. An Attorney General's opinion states that public funds may not be deposited in financial institutions located in states other than Michigan. The Village's deposits are in accordance with statutory authority.

Balance sheet cash and investments are comprised of the following at February 29, 2004:

VILLAGE OF GALIEN

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, CONTINUED

For the year ended February 29, 2004

Note 3. CASH AND INVESTMENTS, CONCLUDED.

	Maturity Date	Interest Rate	Balance
Checking accounts:			
Chemical Bank - Shoreline	Demand	0.30%	\$ 17,077
Chemical Bank - Shoreline	Demand	0.30%	4,611
Chemical Bank - Shoreline	Demand	0.30%	30,436 ⁽¹⁾
Chemical Bank - Shoreline	Demand	0.30%	3,166
Chemical Bank - Shoreline	Demand	0.30%	5,250
Chemical Bank - Shoreline	Demand	0.30%	5,596
Chemical Bank - Shoreline	Demand	0.30%	1,243
Chemical Bank - Shoreline	Demand	0.30%	1,376
Chemical Bank - Shoreline	Demand	0.30%	3,364
Money market and savings accounts:			
Chemical Bank - Shoreline	Demand	0.30%	97,131
Chemical Bank - Shoreline	Demand	0.30%	16,863
Chemical Bank - Shoreline	Demand	0.30%	85,013 ⁽¹⁾
Chemical Bank - Shoreline	Demand	0.30%	9,467
Chemical Bank - Shoreline	Demand	0.30%	42,039
Chemical Bank - Shoreline	Demand	0.30%	56,007
Chemical Bank - Shoreline	Demand	0.30%	23,022
Chemical Bank - Shoreline	Demand	0.30%	95,276
Certificates of deposit:			
Chemical Bank - Shoreline	12/30/04	1.60%	10,782
Chemical Bank - Shoreline	03/24/08	2.61%	25,000
Chemical Bank - Shoreline	12/16/06	2.10%	46,176 ⁽¹⁾
Chemical Bank - Shoreline	05/14/07	3.32%	12,000 ⁽¹⁾
Chemical Bank - Shoreline	02/20/05	2.61%	27,571 ⁽¹⁾
Chemical Bank - Shoreline	07/09/04	1.60%	20,871 ⁽¹⁾
Chemical Bank - Shoreline	03/19/07	4.15%	75,000 ⁽¹⁾
Chemical Bank - Shoreline	03/19/07	4.15%	75,000
Chemical Bank - Shoreline	03/19/07	4.15%	75,000
Petty cash			50
Total			<u>\$ 864,387</u>
Summary for balance sheet:			
	(1)		
	Restricted	Unrestricted	Total
Cash and cash equivalents	\$ 115,449	\$ 381,538	\$ 496,987
Investments	181,618	185,782	367,400
Total	<u>\$ 297,067</u>	<u>\$ 567,320</u>	<u>\$ 864,387</u>

VILLAGE OF GALIEN

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, CONTINUED

For the year ended February 29, 2004

Note 4. CONCENTRATION OF CREDIT RISK.

Financial instruments that potentially subject the Village of Galien to concentrations of credit risk consist principally of temporary cash investments that exceed the amount insured by the Federal Deposit Insurance Corporation (FDIC).

The Village of Galien maintains its cash balances and interest-bearing deposits in several financial institutions. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000 in the aggregate for all demand deposits. Each subdivision of the Village (such as the Sewer Fund) has separate insurance amounts (see Note 3).

The Governmental Accounting Standards Board Statement No. 3 risk disclosure for the Village's cash deposits is as follows:

	Insured	Uninsured	Total
Chemical Bank - Shoreline	\$ 400,000	\$ 464,387	\$ 864,387

Note 5. RESTRICTED CASH.

Sewer Fund

The Village of Galien Sewer fund reports restricted assets for cash deposited in bank accounts reserved for improvements to the sewer system. The customer user fees are allocated 30% to restricted improvement accounts.

Note 6. INTERFUND RECEIVABLES AND PAYABLES.

Fund	Interfund Receivables	Fund	Interfund Payables
General	\$ 6,865	General	\$ 2,502
Economic Development	-	Sewer	2,775
Local Streets	2,503	Police	1,017
		Park	-
		Major Streets	1,832
		Tax Fund	1,242
	\$ 9,368		\$ 9,368

VILLAGE OF GALIEN

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, CONTINUED

For the year ended February 29, 2004

Note 7. PROPRIETY FUND FIXED ASSETS.

A summary of Proprietary Fund fixed assets for the year ended February 29, 2004 follows:

	Land	Sewer System	Equipment	Total
Carrying value	\$ 20,000	\$ 1,233,253	\$ 144,613	\$ 1,397,866
Less, accumulated depreciation	-	(755,605)	(144,453)	(900,058)
Net investment in Proprietary Fund fixed assets	<u>\$ 20,000</u>	<u>\$ 477,648</u>	<u>\$ 160</u>	<u>\$ 497,808</u>

Note 8. NOTES RECEIVABLE – ECONOMIC DEVELOPMENT.

The Economic Development Fund of The Village of Galien contains funds received through State of Michigan – Community Development Block Grant Program for the promotion of economic development within the boundaries of the Village. The initial project for the funds was the development of the industrial park. In addition to funding infrastructure costs, funds have been advanced to private parties for land purchase, capital improvements and working capital. The advances are paid back to the fund with interest to fund additional economic development projects.

As of February 29, 2004, the Village of Galien had the following receivables in the fund:

Note	Maturity	Rate	Current Portion	Long-term Portion	Total
Note receivable, Alexander Cowan and Rita Cowan, d/b/a A & R Leasing dated March 8 2002, with monthly payments of \$382, including interest at 7.75%	2011	7.75%	\$ 2,788	\$ 21,697	\$ 24,485
Note receivable, Thomas and Judy Anstey, d/b/a Cast Coatings, dated October 31, 1991, with monthly lease payments of of \$1,034, including interest at 7.00%	2008	7.00%	8,703	-	8,703
			<u>\$ 11,491</u>	<u>\$ 21,697</u>	<u>\$ 33,188</u>

VILLAGE OF GALIEN

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, CONTINUED

For the year ended February 29, 2004

Note 8. NOTES RECEIVABLE – ECONOMIC DEVELOPEMENT, CONCLUDED.

Principal contractual maturities on the note receivables are as follows:

Year	A & R Leasing	Cast Coatings	Total
2005	\$ 2,788	\$ 8,703	\$ 11,491
2006	3,012	-	3,012
2007	3,254	-	3,254
2008	3,516	-	3,516
2009	3,798	-	3,798
2010 -2011	8,117	-	8,117
Total	<u>\$ 24,485</u>	<u>\$ 8,703</u>	<u>\$ 33,188</u>

Note 9. BUILDING PERMITS.

The Village of Galien reports all revenues and expenditures for building related permits in the general fund. The Village regularly funds a portion of the building department costs. For the year ended February 29, 2004 the building department had the following revenues and expenditures:

Revenues	\$1,965
Expenditures	\$1,616

Note 10. STATE SHARED REVENUES.

The Village of Galien receives significant revenues from the State of Michigan share revenue programs. The revenues received are based on various statutes of the state. Loss or a significant reduction in this revenue would have a material effect on the finances of the Village.

VILLAGE OF GALIEN

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, CONCLUDED

For the year ended February 29, 2004

Note 11. COMPENSATING ABSENCES.

The Village's personnel policies do not permit the accumulation and carry forward of vacation and sick days. Accordingly, the Village has recorded no accrual at February 29, 2004.

Note 12. TAX INFORMATION.

The 2003 taxable value of the Village of Galien amounted to approximately \$7,996,811 on which ad valorem taxes levied for Village operating purposes consisted of 8.71 mills or approximately \$71,380.

Note 13. RENTAL INCOME – GENERAL FUND.

The Village of Galien has entered into a long term lease agreement with Nextel West Corporation, a Delaware corporation, d/b/a Nextel Communications. The Village has leased a parcel of land located in the Village's industrial park to Nextel Communications for the use in any activity in connection with the provision of communication services.

The term of the agreement is five years commencing on the earlier of construction start or twelve months after full execution and terminating on the fifth anniversary of the commencement date. Nextel shall have the right to extend the lease for five successive five year periods on the same terms and conditions.

Rent is payable beginning at \$650 per month, increasing annually by an amount equal to two percent of the prior year's lease payment.

SUPPLEMENTARY INFORMATION

VILLAGE OF GALIEN

SCHEDULE OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL – GENERAL FUND

For the year ended February 29, 2004

	Budget	Actual	Over (Under) Budget
Revenues:			
Property taxes	\$ 72,000	\$ 76,343	\$ 4,343
Administration fees	720	697	(23)
Building permits	1,500	1,965	465
State-shared revenues	65,000	57,961	(7,039)
Investment Interest	1,500	768	(732)
Equipment Rental	1,500	6,488	4,988
Rental income	10,200	12,769	2,569
Sale of assets	-	15,650	15,650
Other income	1,000	3,142	2,142
Total Revenues	153,420	175,783	22,363
Expenditures:			
General government:			
Council wages	5,200	4,966	(234)
Capital assets	-	-	-
General insurance	8,000	8,000	-
Health and disability insurance	6,200	7,423	1,223
Payroll taxes	2,600	2,598	(2)
Workmen's compensation insurance	700	759	59
Legal	1,500	1,082	(418)
Audit	800	1,000	200
Miscellaneous	4,500	3,655	(845)
	29,500	29,483	(17)
Elections:			
Wages	-	-	-
Supplies	-	30	30
Legal	500	-	(500)
Miscellaneous	250	-	(250)
	750	30	(720)
Clerk:			
Wages	6,515	6,515	-
Supplies	-	-	-
Publishing	500	858	358
Miscellaneous	150	66	(84)
	7,165	7,439	274

VILLAGE OF GALIEN

SCHEDULE OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL – GENERAL FUND, CONTINUED

For the year ended February 29, 2004

	Budget	Actual	Over (Under) Budget
Treasurer:			
Wages	6,365	6,348	(17)
Supplies	250	231	(19)
Contracted services	4,500	430	(4,070)
Miscellaneous	100	77	(23)
	<u>11,215</u>	<u>7,086</u>	<u>(4,129)</u>
Building and Grounds:			
Supplies	800	109	(691)
Telephone	1,000	1,100	100
Utilities	3,410	3,728	318
Repairs and maintenance	4,000	1,762	(2,238)
Capital assets	-	-	-
Miscellaneous	2,000	456	(1,544)
	<u>11,210</u>	<u>7,155</u>	<u>(4,055)</u>
Building Inspector:			
Fees	1,300	1,588	288
Miscellaneous	75	28	(47)
	<u>1,375</u>	<u>1,616</u>	<u>241</u>
Public Works:			
Wages	18,200	18,127	(73)
Supplies	200	862	662
Gasoline	4,000	1,717	(2,283)
Telephone	400	344	(56)
Repairs and maintenance	3,800	8,598	4,798
Equipment rental	2,000	11,619	9,619
Demolitions	-	-	-
Sidewalks	2,000	1,100	(900)
Drains	2,500	-	(2,500)
Street lights	10,000	9,651	(349)
Capital outlay	16,100	58,810	42,710
Miscellaneous	1,700	2,323	623
	<u>60,900</u>	<u>113,151</u>	<u>52,251</u>
Total expenditures	<u>122,115</u>	<u>165,960</u>	<u>43,845</u>

VILLAGE OF GALIEN

SCHEDULE OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL – GENERAL FUND, CONCLUDED

For the year ended February 29, 2004

	Budget	Actual	Over (Under) Budget
Excess (deficiency) of revenues over expenditures	31,305	9,823	(21,482)
Other financing sources (uses):			
Operating transfers - in	-	-	-
Operating transfers - out	(30,500)	(33,083)	(2,583)
Total other financing sources (uses)	(30,500)	(33,083)	(2,583)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	\$ 805	\$ (23,260)	\$ (24,065)

VILLAGE OF GALIEN
COMBINING BALANCE SHEET – SPECIAL REVENUE FUNDS

As of February 29, 2004

ASSETS	Major Street	Local Street	Police
Current assets:			
Cash and cash equivalents	\$ 47,289	\$ 61,603	\$ 26,386
Investments	-	-	-
Interest receivable	-	-	-
Notes receivable - current portion	-	-	-
Due from other funds	-	2,503	-
Due from other governments	6,795	2,629	-
	<u>54,084</u>	<u>66,735</u>	<u>26,386</u>
Total current assets	<u>54,084</u>	<u>66,735</u>	<u>26,386</u>
Noncurrent assets:			
Notes receivable, net of current	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 54,084</u>	<u>\$ 66,735</u>	<u>\$ 26,386</u>
LIABILITIES AND FUND EQUITY			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	1,832	-	1,017
	<u>1,832</u>	<u>-</u>	<u>1,017</u>
Total liabilities	<u>1,832</u>	<u>-</u>	<u>1,017</u>
Fund Equities:			
Fund Balance	52,252	66,735	25,369
	<u>52,252</u>	<u>66,735</u>	<u>25,369</u>
Total liabilities and fund equities.	<u>\$ 54,084</u>	<u>\$ 66,735</u>	<u>\$ 26,386</u>

<u>Park</u>	<u>Economic Development</u>	<u>Total</u>
\$ 12,633	\$ 96,652	\$ 244,563
-	150,000	150,000
-	-	-
-	11,491	11,491
-	-	2,503
-	-	9,424
<u>12,633</u>	<u>258,143</u>	<u>417,981</u>
<u>-</u>	<u>21,697</u>	<u>21,697</u>
<u>\$ 12,633</u>	<u>\$ 279,840</u>	<u>\$ 439,678</u>

\$ -	\$ -	\$ -
-	-	2,849
-	-	2,849
<u>12,633</u>	<u>279,840</u>	<u>436,829</u>
<u>\$ 12,633</u>	<u>\$ 279,840</u>	<u>\$ 439,678</u>

VILLAGE OF GALIEN

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL – SPECIAL REVENUE FUNDS

For the year ended February 29, 2004

	Major		Local		Police	
	Budget	Actual	Budget	Actual	Budget	Actual
Revenues:						
State revenues	\$ 32,000	\$ 36,516	\$ 12,000	\$ 14,433	\$ -	\$ -
Interest on investments	400	193	600	296	200	104
Interest on notes receivable	-	-	-	-	-	-
Other revenues	100	154	-	54	1,432	3,503
Total revenues	32,500	36,863	12,600	14,783	1,632	3,607
Expenditures:						
Public Safety	-	-	-	-	15,625	15,423
Streets	37,480	33,867	43,380	45,496	-	-
Parks and recreation	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Total Expenditures	37,480	33,867	43,380	45,496	15,625	15,423
Excess (deficiency) of revenues over expenditures	(4,980)	2,996	(30,780)	(30,713)	(13,993)	(11,816)
Other financing sources (uses):						
Operating transfers-in	-	-	12,000	14,133	14,000	14,000
Operating transfers-out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	12,000	14,133	14,000	14,000
Excess (deficiency) of revenues and other financing sources over expenditures and other financing sources (uses)	(4,980)	2,996	(18,780)	(16,580)	7	2,184
Fund balances, beginning of year	49,256	49,256	83,315	83,315	23,185	23,185
Fund balances, end of year	\$ 44,276	\$ 52,252	\$ 64,535	\$ 66,735	\$ 23,192	\$ 25,369

Parks		Economic Development		Total		Over (under) Budget
Budget	Actual	Budget	Actual	Budget	Actual	
\$ -	\$ -	\$ -	\$ -	\$ 44,000	\$ 50,949	\$ 6,949
32	42	4,500	5,960	5,732	6,595	863
-	-	4,500	3,639	4,500	3,639	(861)
2,263	3,681	-	-	3,795	7,392	3,597
				-		
2,295	3,723	9,000	9,599	58,027	68,575	10,548
-	-	-	-	15,625	15,423	(202)
-	-	-	-	80,860	79,363	(1,497)
4,363	5,637	-	-	4,363	5,637	1,274
-	-	1,750	3,542	1,750	3,542	1,792
-	-	-	-	-	-	-
4,363	5,637	1,750	3,542	102,598	103,965	1,367
(2,068)	(1,914)	7,250	6,057	(44,571)	(35,390)	9,181
4,950	4,950	-	-	30,950	33,083	2,133
-	-	-	-	-	-	-
4,950	4,950	-	-	30,950	33,083	2,133
2,882	3,036	7,250	6,057	(13,621)	(2,307)	11,314
9,597	9,597	273,783	273,783	439,136	439,136	-
<u>\$ 12,479</u>	<u>\$ 12,633</u>	<u>\$ 281,033</u>	<u>\$ 279,840</u>	<u>\$ 425,515</u>	<u>\$ 436,829</u>	<u>\$ 11,314</u>



Honorable Members of the Village Council
Village of Galien
Berrien County, Michigan

In planning and performing our audit of the financial statements of the Village of Galien for the year ended February 29, 2004, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. There were matters involving internal control and its operation that we consider being reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect the Village of Galien's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above.

We noted the following reportable conditions that are not believed to be material weaknesses:

Segregation of duties

Control over cash receipt transactions is limited because of insufficient segregation of duties. The same individual accepts cash receipts; records cash receipts, prepares bank deposits and makes bank deposits. Due to limited personnel, the Village does not feel further segregation of duties would be warranted from a cost/benefit standpoint.

Reconciliation of Sewer Fund Accounts Receivable

To insure that all funds are billed and collected, a reconciliation and formal accounts receivable system should be established. Currently, account billings could be missed in the billing procedures. In addition, accounts could also be double billed. Reconciliation is an important part of internal control procedures.



Fixed Assets and Capitalization Policy

The Village currently does not have an inventory of assets owned. The Village should prepare an inventory of all assets. The list should include all assets valued greater than \$5,000. In addition, the Village should adopt a capitalization policy, through a resolution, for assets that have a life expectancy greater than one year and a value over a certain dollar limit (e.g. \$5,000) to be capitalized for proper financial recording. The policy should also adopt how long each asset will be depreciation and any salvage value it may have.

The report is intended solely for the information and use of the Village of Galien management, and others within the Village, and is not intended to be and should not be used by anyone other than these parties.

We appreciate the courtesy and cooperation extended to us by you and members of the Village. We appreciate the opportunity to present these recommendations for your consideration and would be pleased to discuss them further at your convenience.

Very truly yours,

The Don Jackson Group, P.C.

The Don Jackson Group, P.C.

April 2, 2005